

0020



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

September 18, 1998

TO: File

THRU: Daron Haddock, Permit Supervisor *DH*

FROM: Wayne H. Western, Senior Reclamation Specialist *WHW*

RE: Response to Midterm Deficiencies Received on July 7, 1998, Co-Op Mining Company, Bear Canyon Mine, ACT015/025-98MT, File #2, Emery County, Utah

SUMMARY:

On July 7, 1998, the Division received the midterm deficiency response from the Bear Canyon Mine. The Division reviewed the deficiency response and found that some items were inadequately addressed. The bond amount was the major deficiency. **The Division calculated the reclamation bond for the Bear Canyon Mine to be \$1,088,000.**

Technical Analysis:

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Analysis:

Mining facilities maps.

During the midterm review the Division noticed that the list of structures in the reclamation cost estimate did not match those shown on the surface facilities maps. The Permittee revised Plate 2-4C to show the on site conditions. The structures shown on the Plate 2-4C are the same as those list in the reclamation cost estimate. The Division has not field checked the Plate 2-4C, but considers the information adequate for the midterm review.

Findings:

The Permittee met the minimum requirements of this section.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: R645-301-800,

Analysis:

Determination of bond amount.

During the midterm review the Division noted several deficiencies in the reclamation cost estimate. The Permittee responded adequately to most of the deficiencies. The Division wanted the Permittee to estimate the cost of disposing of scrap steel. The Permittee stated that M&P Enterprises would pick up the scrap steel at no cost. The Division assumes that no salvage value when they calculate reclamation costs.

The Division definition of salvage includes having a contractor remove scrap steel from a site at no cost. However, the Division will allow the Permittee to ship the scrap steel to be sent to a facility that will not charge a disposal fee. Therefore, the Permittee must include the transportation cost of shipping the steel to a disposal site.

The Division used the updated cost estimates given in the midterm response to calculate the reclamation costs. The Division determined the reclamation costs to be \$1,088,000. A summary of the reclamation costs is attached to this memo.

The steel disposal costs were not included in the reclamation cost estimate. The Division estimates that the cost of steel disposal will be less than 5% and does not need to be included into the bond amount at this time. If the amount exceeds 5% then the Division will require a bond adjustment.

Findings:

The Division reviewed the reclamation bond amount and the detailed reclamation plan given by the Permittee. The Division found that the reclamation bond amount and the detailed reclamation plan were deficient. The Permittee must comply with the requirements of

R645-301-830, The Permittee must post a bond of at least \$1,088,000.00. The Division calculated the reclamation costs based on the information supplied by the Permittee and determined the bond amount to be \$1,088,000.00.

R645-301-830, The Permittee must supply the Division with cost estimates for transporting steel from the site to a remelt facility. The reclamation cost estimate must include the steel tonnage and the haul distance.

Midterm Deficiencies
ACT/015/025-98MT
September 22, 1998
Page 3

PERMIT AREA

Regulatory Requirements: R645-301-521.

Analysis:

The Permittee was required to describe the land in the permit boundaries and the acreage. The Permittee gave a description of the permit boundaries. The Permittee states in the midterm deficiency response that 1,377.75 acres are included in the lease and permit area. Since the lease and permit boundaries can be different the above wording can be confusing. The Permittee needs to rewrite the acreage description to avoid confusion.

Findings:

The Division reviewed the midterm deficiency response and found it inadequate. The Permittee must comply with the regulation:

R645-301-121.100, The Permittee must state the total number of acres in the permit area in a clear and concise manner. Since the lease and permit acreage may be different the Permittee must state how many acres are in the permit area.

Bear Canyon Mine

ACT/007/015

Calculated September 1998

Bear Canyon Mine
ACT/015/025

Reclamation Costs
Calculated Sept., 1998

Direct Costs	
Demolition	\$448,423.00
Earthwork	\$140,947.00
Revegetation	\$181,838.00
Total Direct Costs	\$771,208.00

Indirect Costs	
Maintenance and Monitoring (10%)	\$77,121.00
Contingency (10%)	\$77,121.00
Engineering Redesign (5%)	\$38,560.00
Startup Includes Mob/Demob (5%)	\$38,560.00
Contract Management Fee (5%)	\$38,560.00
Total Indirect Costs	\$269,922.00

Reclamation Costs	\$1,041,130.00
-------------------	----------------

Inflation @ 2.24% for 2 years	\$47,165.00
-------------------------------	-------------

Reclamation Costs 2001 dollars	\$1,088,295.00
--------------------------------	----------------

Bond Amount rounded to nearest \$1,000	\$1,088,000.00
--	----------------